

## Message Text

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ACTION XMB-04

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R 090912Z APR 76

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 6617

INFO AMEMBASSY LUXEMBOURG

USDOC WASHDC

UNCLAS BRUSSELS 3643

STATE FOR EXIMBANK CHOSEI KUGE FROM RENDELL EXIMBANK

LUXEMBOURG FOR RILEY

E.O. 11652: N/A

TAGS: EFIN EAIR LU BE

SUBJECT: FINANCING OF BOEING 737 SALES TO LUXAIR

REF: OSLO 1709 AND LUXEMBOURG 0356

1. IN ACCORDANCE WITH ARRANGEMENTS STATED IN REFTELS  
ON APRIL 8, 1976, ROBERT S. RENDELL, EXIMBANK DEPUTY  
GENERAL COUNSEL, MET IN AMERICAN EMBASSY BRUSSELS WITH  
MR. RAYMOND WOLFF, FINANCIAL MANAGER OF LUXAIR. REPORT OF  
MEETING AS FOLLOWS:

2. WOLFF REPEATED DIFFICULTY OF OBTAINING DIRECT GOVERNMENT  
OF LUXEMBOURG GUARANTEE ON EXIMBANK LOAN TO LUXAIR. WOLFF  
OFFERED INSTEAD GUARANTEES OF THREE LUXEMBOURG BANKS:  
BANGUE INTERNATIONALE, BANGUE GENERAL, AND CAISSE D' EPARGNE  
DE L'ETAT. THESE ARE THE THREE LARGEST BANKS IN LUXEMBOURG,  
AND EACH OWNS 14.8 PERCENT OF LUXAIR, WITH GOVERNMENT OF  
LUXEMBOURG OWNING 25 PERCENT AND BALANCE IN PRIVATE  
HANDS. NOE OF BANKS ARE FULL FAITH AND CREDIT BANKS.  
WOLFF TO SUBMIT FIANCIAL DATA TO KUGE.

3. AN ALTERNATIVE ALSO DISCUSSED WAS THREE BANK  
GUARANTEE FOR LIMITED PERIOD UNTIL GOVERNMENT OF  
LUXEMBOURG GUARANTEE IS AUTHRIZED BY LUXEMBOURG  
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PARLIAMENT. BUT WHAT WOULD HAPPEN IF GOVERNMENT OF

LUXEMBOURG GUARANTEE IS NEVER AUTHORIZED BY PARLIAMENT?  
WOLFF CONFIRMED THAT SPECIFIC LAW MUST BE ENACTED BY  
PARLIAMENT TO AUTHORIZE GOVERNMENT OF LUXEMBOURG GUARANTEE  
FOR LUXAIR AND THIS HAS NOT BEEN DONE BEFORE.

4. LUXAIR WANTS TO BUY TWO BOEING 737S TO REPLACE  
CARAVELLES WHICH MUST BE PHASED OUT. THEY WOULD SERVICE  
ROUTES BETWEEN LUXEMBOURG AND LONDON, ATHENS AND ROME.  
LUXAIR ALSO STUDYING BRITISH TRIDENT, BUT AIRBUS  
CONSIDERED TOO BIG AN AIRCRAFT FOR THEIR PURPOSES. IF  
EXIMBANK FINANCING NOT AVAILABLE, MAY BUY TRIDENT OR  
ONE 737 OR NONE AS AMOUNT INVOLVED IS TOO GREAT FOR  
LUXAIR TO SELF-FINANCE.

5. PRIVATE BANK FINANCING TO COMPLEMENT EXIMBANK CREDIT  
WOULD BE SUPPLIED BY GROUP OF BANKS IN LUXEMBOURG  
INCLUDING THREE BANKS OFFERED AS GUARANTORS AND LUXEMBOURG  
BRANCHES OF CITIBANK AND BANK OF AMERICA. WOLFF  
INDICATED THAT THE BANK GROUP IS NOT WILLING TO FINANCE  
THE ENTIRE PURCHASE.

6. LUXAIR LOOKING TO MAKE DECISION ON PURCHASE IN MAY.

7. WOLFF NOT OPTIMISTIC ABOUT POSSIBILITY OF MERGER  
WITH SABENA AND KLM BECAUSE OF DIFFERENT FINANCIAL  
POSITION OF TWO AIRLINES. HOWEVER, IF MERGER OCCURS,  
PURCHASE OF TWO 737S WOULD BE USEFUL BECAUSE SABENA  
ALREADY HAS 737 FLEET.FIRESTONE

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